

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1977-01
Bill No.: HB 735
Subject: Insurance - Automobile; Insurance Dept.; Motor Vehicles
Type: Original
Date: March 11, 2009

Bill Summary: Establishes the Uninsured Motorist Stipulation of Benefits Act of 2009 which changes the laws regarding uninsured motorists.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	(Unknown exceeding \$138,297)	(Unknown exceeding \$143,736)	(Unknown exceeding \$147,340)
Total Estimated Net Effect on General Revenue Fund	(Unknown exceeding \$138,297)	(Unknown exceeding \$143,736)	(Unknown exceeding \$147,340)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Highway	\$269,250	\$323,100	\$323,100
Total Estimated Net Effect on <u>Other</u> State Funds	\$269,250	\$323,100	\$323,100

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	4	4	4
Total Estimated Net Effect on FTE	4	4	4

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	\$89,750	\$107,700	\$107,000

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Administrative Hearing Commission, Department of Insurance, Financial Institutions and Professional Registration, and Department of Public Safety - Missouri State Highway Patrol** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Office of Attorney General** assume any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **Office of Prosecution Services (OPS)** state the proposal will have no measurable fiscal impact on the OPS. The impact on prosecutors will necessarily depend on the number of cases referred to them for prosecution.

Officials from the **Department of Corrections (DOC)** state the DOC cannot predict the number of new commitments which may result from the creation of the offense(s) outlined in this proposal. An increase in commitments depends on the utilization by prosecutors and the actual sentences imposed by the court. If additional persons are sentenced to the custody of the DOC due to the provisions of this legislation, the DOC will incur a corresponding increase in direct offender costs either through incarceration (FY 08 average annual cost of \$5,709 per inmate) or through supervision provided by the Board of Probation and Parole (FY 08 average annual cost of \$902 per offender).

The DOC assumes the narrow scope of the crime will not encompass a large number of offenders, the low felony status of the crime enhances the possibility of plea-bargaining or imposition of a probation sentence, and the probability exists that offenders would be charged with a similar but more serious offense and that sentences may run concurrent to one another. Therefore, supervision through probation or incarceration would result in some additional costs, but the DOC assumes the impact would be \$0 or a minimal amount that could be absorbed within existing resources.

For the purpose of this proposed legislation, officials at the **Office of State Public Defender (SPD)** cannot assume that existing staff will provide competent, effective representation for any new cases arising where indigent persons are charged with the proposed new crime of creating fraudulent insurance cards or are faced with the enhanced penalties for not maintaining proper vehicle insurance - from a B misdemeanor to an A misdemeanor.

ASSUMPTION (continued)

Passage of bills increasing penalties on existing crimes, or creating new crimes, requires the SPD system to further extend resources. While the number of new cases (or cases with increased penalties) may be too few or uncertain to request additional funding for this specific bill, the SPD will continue to request sufficient appropriations to provide competent and effective representation in all its cases.

Oversight assumes the SPD can absorb the additional caseload that may result from this proposal.

Officials from the **Office of State Courts Administrator (CTS)** state the proposed legislation would make a motor vehicle owner who fails to maintain financial responsibility guilty of a class B misdemeanor for a first offense and a class A misdemeanor for a second or subsequent violation. In addition, the owner will have his or her motor vehicle impounded and driver's license suspended.

In FY 08, 25,533 failure-to-maintain-financial-responsibility cases were filed. The CTS cannot distinguish how many of these involved accidents from maintained data. The CTS is unable to provide a fiscal impact and assumes the proposal would have an unknown fiscal impact.

Officials from the **Department of Revenue (DOR)** state the proposal will have an impact on DOR's computer operating systems. The systems will have to be updated to include the previous owner's information since under this proposal dealers are required to report this to the DOR for the purpose of personal property tax verification.

The proposal will also impact the Motor Vehicle Bureau (MVB). The MVB will need to revise the forms as well as update policies and procedures, the dealer manual and web instructions. Registered dealers will need to be notified of the change via Titling Tips. The MVB will need to revise the Notice of Sale form and will need to key the previous owner's name, address, and county for each Notice of Sale received from a dealer. To do this the DOR will require funding in the amount of \$154,237 for supporting equipment and 4 Revenue Licensing Technicians II (\$25,380 each annually). There will be an unknown impact for the DOR to verify payment of personal property taxes since it is unclear regarding the DOR's responsibilities in this area.

The Driver License Bureau (DLB) will require computer programming by Office of Administration Information Technology. These changes will need to be tested by DLB staff. It is assumed this can be handled during normal work time. In addition, forms will need to be destroyed, revised and re-printed. The driver's guide will be to be revised. The DOR assumes no cost for revisions.

ASSUMPTION (continued)

REVENUE IMPACT:

The current reinstatement fee for a first offense of failure to show proof of financial responsibility (mandatory insurance) is \$20. This proposal revises Section 303.042 by increasing the reinstatement fee for a first offense to \$100.

The total number of mandatory insurance suspensions reinstated in FY 08 was 5,385, generating \$107,700 (5,385 X \$20) in fees collected. Assuming the same number of suspensions would reinstate in the year following the passage of this proposal, there would be \$538,500 (5,385 X \$100) in fees collected, which is an increase of \$430,800 (\$538,500 - \$107,700 or 5,385 X \$80 increase).

FY 10

$\$430,800 / 12 = \$35,900 \times 10 \text{ months} = \$359,000$

\$269,250	State Highway Fund (75%)
\$53,850	Cities (15%)
\$35,900	Counties (10%)

FY 11 & FY 12

\$430,800

\$323,100	State Highway Fund (75%)
\$64,620	Cities (15%)
\$43,080	Counties (10%)

Due to the Statewide Information Technology Consolidation, the DOR's response to a proposal will now also reflect the cost estimates prepared by Office of Administration Information Technology (ITSD) for impact to the various systems. ITSD DOR estimates this legislation could be implemented utilizing 1 existing Computer Information Technologist (CIT) III for 2 months, estimated at \$8,882. ITSD DOR estimates the IT portion of this request can be accomplished within existing resources. However, if priorities shift, additional FTE/overtime would be needed to implement.

Oversight has, for fiscal note purposes only, changed the starting salary for the Revenue Licensing Technicians II to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

Oversight assumes the DOR will not need additional floor space for 4 FTE.

ASSUMPTION (continued)

Officials from the **Missouri Department of Transportation** did not respond to our request for a statement of fiscal impact.

This proposal will result in an increase in total state revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE FUND			
<u>Costs - CTS</u>			
Vehicle impoundment	(Unknown)	(Unknown)	(Unknown)
<u>Costs - DOR</u>			
Personal service costs (4.0 FTE)	(\$77,490)	(\$95,313)	(\$97,696)
Fringe benefits	(\$37,679)	(\$46,351)	(\$47,510)
Equipment and expense	<u>(\$23,128)</u>	<u>(\$2,072)</u>	<u>(\$2,134)</u>
Total <u>Costs</u> - DOR	(\$138,297)	(\$143,736)	(\$147,340)
Net FTE Change - DOR	4.0 FTE	4.0 FTE	4.0 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown exceeding \$138,297)</u>	<u>(Unknown exceeding \$143,736)</u>	<u>(Unknown exceeding \$147,340)</u>
Estimated Net FTE Change on General Revenue Fund	4.0 FTE	4.0 FTE	4.0 FTE
HIGHWAY FUND			
<u>Income - DOR</u>			
Increase in reinstatement fees	<u>\$269,250</u>	<u>\$323,100</u>	<u>\$323,100</u>
ESTIMATED NET EFFECT ON HIGHWAY FUND	<u>\$269,250</u>	<u>\$323,100</u>	<u>\$323,100</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
LOCAL GOVERNMENTS			
<u>Income - Cities</u>			
Increase in reinstatement fees	\$53,850	\$64,620	\$64,620
<u>Income - Counties</u>			
Increase in reinstatement fees	<u>\$35,900</u>	<u>\$43,080</u>	<u>\$43,080</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$89,750</u>	<u>\$107,700</u>	<u>\$107,700</u>

FISCAL IMPACT - Small Business

This proposal could impact small businesses.

FISCAL DESCRIPTION

This proposal establishes the Uninsured Motorist Stipulation of Benefits Act of 2009. An uninsured motorist involved in an accident with a complying policyholder will be subject to the following reduction of recovery for noneconomic damages: 25% reduction for the first occurrence and 100% for a subsequent occurrence.

Any person who knowingly or intentionally produces, manufactures, sells, or distributes a fraudulent insurance identification card will be guilty of a class D felony. A person who is knowingly or intentionally in possession of a fraudulent insurance identification card will be guilty of a class B misdemeanor and if in an accident with a complying policyholder will be subject to a 100% reduction of recovery for noneconomic losses.

If a motor vehicle owner fails to maintain financial responsibility as required in Section 303.160, RSMo, the owner will be guilty of a class B misdemeanor for a first offense and a class A misdemeanor for a subsequent violation and will have his or her motor vehicle impounded and driver's license suspended. The first-time reinstatement fee for a suspended driver's license due to the owner not maintaining financial responsibility on a motor vehicle is increased from \$20 to \$100.

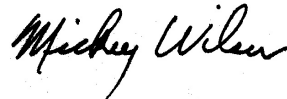
All licensed motor vehicle dealers must report specified information monthly to the Department of Revenue on all sales to verify the payment of property taxes owed on each vehicle.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Attorney General
Office of Administration -
 Administrative Hearing Commission
Office of State Courts Administrator
Department of Insurance, Financial Institutions and Professional Registration
Department of Corrections
Department of Revenue
Department of Public Safety -
 Missouri State Highway Patrol
Office of Prosecution Services
Office of Secretary of State
Office of State Public Defender

NOT RESPONDING: Missouri Department of Transportation

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
March 11, 2009